合景泰富地產

KWG PROPERTY HOLDING LIMITED
合景泰富地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1813)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS

- Revenue for the year ended 31 December 2016 amounted to RMB8,865.3 million, an increase of 6.3% as compared with the financial year of 2015.
- Profit attributable to owners of the Company amounted to RMB3,464.7 million, a slight increase of 1.4% as compared with the financial year of 2015.
- Gross profit margin and net profit margin were 34.6% and 39.0%, respectively.
- Earnings per share amounted to RMB115 cents, remain at the same level as compared with the financial year of 2015.
- Proposed to declare final dividend of RMB40 cents per ordinary share and special dividend of RMB11 cents per ordinary share.

The board of directors (the "**Board**") of KWG Property Holding Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	6	**8,865,329**	8,339,756
Cost of sales		**(5,794,980)**	(5,330,338)
Gross profit		**3,070,349**	3,009,418
Other income and gains, net	6	**731,732**	103,080
Selling and marketing expenses		**(322,768)**	(276,532)
Administrative expenses		**(969,196)**	(774,677)
Other operating expenses, net		**(118,183)**	(30,740)
Fair value gains on investment properties, net		**165,900**	709,671
Finance costs	7	**(159,875)**	(10,451)
Share of profits and losses of:			
Associates		**–**	(2,661)
Joint ventures		**2,129,540**	1,935,245
PROFIT BEFORE TAX	8	**4,527,499**	4,662,353
Income tax expenses	9	**(1,065,893)**	(1,249,168)
PROFIT FOR THE YEAR		**3,461,606**	3,413,185
Attributable to:			
Owners of the Company		**3,464,714**	3,416,248
Non-controlling interests		**(3,108)**	(3,063)
		3,461,606	3,413,185
Earnings per share attributable to owners of the Company – Basic and diluted	11	**RMB115 cents**	RMB115 cents

Details of the dividends proposed for the year are disclosed in note 10.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**3,461,606**	3,413,185
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation into presentation currency	**(963,216)**	(572,650)
Share of exchange differences on translation of joint ventures	**(238,896)**	(197,454)
NET OTHER COMPREHENSIVE LOSS MAY BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(1,202,112)**	(770,104)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,259,494**	2,643,081
Attributable to:		
Owners of the Company	**2,262,602**	2,646,144
Non-controlling interests	**(3,108)**	(3,063)
	2,259,494	2,643,081

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**3,890,621**	3,693,827
Investment properties		**10,533,100**	9,549,593
Land use rights		**1,040,728**	919,140
Interests in joint ventures		**18,998,141**	21,829,575
Deferred tax assets		**1,332,532**	1,197,373
Total non-current assets		**35,795,122**	37,189,508
CURRENT ASSETS			
Properties under development		**38,503,341**	20,895,264
Completed properties held for sale		**6,866,193**	6,533,673
Trade receivables	13	**156,775**	274,461
Prepayments, deposits and other receivables		**2,200,705**	1,990,457
Due from a joint venture		**30,059**	29,406
Tax recoverables		**288,043**	202,571
Restricted cash		**1,130,660**	1,619,607
Cash and cash equivalents		**25,770,912**	10,946,470
Total current assets		**74,946,688**	42,491,909
CURRENT LIABILITIES			
Trade and bills payables	14	**5,753,979**	2,391,399
Other payables and accruals		**9,838,964**	7,170,761
Due to joint ventures		**21,530,757**	13,925,825
Interest-bearing bank and other borrowings		**4,753,515**	3,982,628
Tax payables		**5,431,370**	4,719,093
Total current liabilities		**47,308,585**	32,189,706
NET CURRENT ASSETS		**27,638,103**	10,302,203
TOTAL ASSETS LESS CURRENT LIABILITIES		**63,433,225**	47,491,711
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**38,196,455**	24,015,000
Deferred tax liabilities		**1,225,816**	1,115,753
Deferred revenue		**2,042**	2,042
Total non-current liabilities		**39,424,313**	25,132,795
NET ASSETS		**24,008,912**	22,358,916

	2016	2015
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**293,590**	288,663
Reserves	**23,656,855**	22,052,746
	23,950,445	22,341,409
Non-controlling interests	**58,467**	17,507
TOTAL EQUITY	**24,008,912**	22,358,916

Notes:

1. CORPORATE AND GROUP INFORMATION

KWG Property Holding Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

During the year, the Group was involved in the following principal activities in Mainland China:

- Property development
- Property investment
- Hotel operation
- Property management

In the opinion of the directors, the immediate and ultimate holding company of the Company is Plus Earn Consultants Limited, which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the dates on which the Group obtains control, and continue to be consolidated until the dates that such control ceases.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	*Amendments to a number of HKFRSs*
HKFRS 9	*Financial Instruments (early adopted)*

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and amendments included in the *Annual Improvements 2012–2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new HKFRSs and the amendments are described below:

(a) Amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are applied prospectively. The amendments have had no impact on the Group as there has been no interest acquired in a joint operation during the year.

(b) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

    (i) the materiality requirements in HKAS 1;

    (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

    (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

    (iv) that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

    Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(c) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(d) In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting, and will be effective for annual periods beginning on or after 1 January 2018. The Group has elected to early adopt HKFRS 9 since 1 January 2016. The impacts arising from the early adoption of HKFRS 9 are summarised as follows:

(i) Classification and measurement

Financial assets are required to be classified into one of the following measurement categories: (1) measured subsequently at amortised cost, (2) measured subsequently at fair value through OCI (all fair value changes other than interest accrual, amortisation and impairment will be recognised in OCI) or (3) measured subsequently at fair value through profit or loss. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. The Group measured its derivative financial assets at fair value through profit or loss. Other financial assets of the Group continue to be measured at amortised cost. The adoption of HKFRS 9 has had no significant impact on the classification and measurement of the financial assets of the Group.

(ii) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through OCI, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses that were estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group performed a detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

(iii) Hedge accounting

The requirements related to hedge accounting would better align the accounting treatments with risk management activities and enable entities to better reflect these activities in their financial statements. It relaxes the requirements for assessing hedge effectiveness which more risk management strategies may be eligible for hedge accounting. It also relaxes the rules on using non-derivative financial instruments as hedging instruments and allows greater flexibility on hedged items. Users of the financial statements will be provided with more relevant information about risk management and the effect of hedge accounting on the financial statements. The Group had entered into foreign currency forward contract in current year to hedge the foreign exchange exposure between Hong Kong dollar and RMB arising from the Group's net investment in their subsidiaries established in the People's Republic of China (the "PRC"). Gains or losses on the hedging instruments relating to the effective portion of the hedge are recognised in OCI while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative gains or losses recorded in equity will be recognised in profit or loss.

In accordance with the transition provisions of the standard, the Group applies new requirements for classification and measurement and impairment of this standard retrospectively and new requirements for hedge accounting of this standard prospectively.

4. ISSUED BUT NOT YET EFFECTIVE HKFRSs

Except for HKFRS 9, the Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into four reportable operating segments as follows:

(a) Property development: Sale of properties
(b) Property investment: Leasing of properties
(c) Hotel operation: Operation of hotels
(d) Property management: Provision of property management services

The property development projects undertaken by the Group during the year are all located in Mainland China.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

The Group's revenue from external customers is derived solely from its operations in Mainland China. As the Group's major operations and customers are located in Mainland China, no further geographical segment information is provided.

During the year, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Year ended 31 December 2016

	Property development *RMB'000*	Property investment *RMB'000*	Hotel operation *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	**7,922,956**	**182,411**	**389,839**	**370,123**	**8,865,329**
Segment results	**4,193,984**	**344,732**	**127,174**	**96,190**	**4,762,080**
Reconciliation:					
Interest income and unallocated income					**731,732**
Unallocated expenses					**(806,438)**
Finance costs					**(159,875)**
Profit before tax					**4,527,499**
Income tax expenses					**(1,065,893)**
Profit for the year					**3,461,606**
Other segment information:					
Depreciation and amortisation	**42,593**	**2,337**	**103,825**	**1,137**	**149,892**
Fair value gains on investment properties, net	**–**	**165,900**	**–**	**–**	**165,900**
Share of profits and losses of:					
Joint ventures	**2,129,540**	**–**	**–**	**–**	**2,129,540**

Year ended 31 December 2015

	Property development *RMB'000*	Property investment *RMB'000*	Hotel operation *RMB'000*	Property management *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	7,563,196	154,381	367,110	255,069	8,339,756
Segment results	4,225,450	861,614	94,056	19,757	5,200,877
Reconciliation:					
Interest income and unallocated income					103,080
Unallocated expenses					(631,153)
Finance costs					(10,451)
Profit before tax					4,662,353
Income tax expenses					(1,249,168)
Profit for the year					3,413,185
Other segment information:					
Depreciation and amortisation	41,162	5,372	111,442	1,147	159,123
Fair value gains on investment properties, net	–	709,671	–	–	709,671
Share of profits and losses of:					
Associates	(2,661)	–	–	–	(2,661)
Joint ventures	1,935,245	–	–	–	1,935,245

6. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the gross proceeds, net of business tax and value-added tax, from the sale of properties, gross rental income received and receivable from investment properties, gross revenue from hotel operation and property management fee income during the year.

An analysis of revenue, other income and gains, net is as follows:

	2016 *RMB'000*	2015 *RMB'000*
Revenue:		
Sale of properties	**7,922,956**	7,563,196
Gross rental income	**182,411**	154,381
Hotel operation income	**389,839**	367,110
Property management fee income	**370,123**	255,069
	8,865,329	8,339,756
Other income and gains, net:		
Interest income	**169,677**	40,937
Foreign exchange differences, net	**304,550**	7,799
Management fee income	**72,377**	–
Gain on disposal of a subsidiary	**44,708**	–
Gain on acquisition of a subsidiary	**57,198**	–
Others	**83,222**	54,344
	731,732	103,080

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2016 *RMB'000*	2015 *RMB'000*
Interest on bank and other borrowings	**2,713,385**	2,264,956
Less: Interest capitalised	**(2,553,510)**	(2,254,505)
	159,875	10,451

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2016 *RMB'000*	2015 *RMB'000*
Cost of properties sold	**5,570,990**	4,986,172
Less: Government grant released	**(171)**	(217)
	5,570,819	4,985,955
Depreciation	**144,414**	154,088
Amortisation of land use rights	**26,933**	26,195
Less: Amount capitalised in assets under construction	**(21,455)**	(21,160)
	5,478	5,035
Premium paid on early redemption of senior notes*	**117,667**	–
(Gain)/loss on disposal of investment properties, net	**(5)**	122
Loss on disposal of items of property, plant and equipment*	**19**	233
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**546,890**	549,603
Pension scheme contributions (defined benefit plans)	**57,124**	56,076
Equity-settled share option expense	**–**	54
	604,014	605,733
Less: Amounts capitalised in assets under construction, properties under development and investment properties under development	**(106,844)**	(146,496)
	497,170	459,237

* These items are included in "Other operating expenses, net" in the consolidated statement of profit or loss.

9. INCOME TAX EXPENSES

	2016	2015
	RMB'000	*RMB'000*
Current – PRC		
Corporate income tax ("CIT")	**618,307**	550,027
Land appreciation tax ("LAT")	**547,602**	718,621
	1,165,909	1,268,648
Deferred	**(100,016)**	(19,480)
Total tax charge for the year	**1,065,893**	1,249,168

Hong Kong profits tax

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2016 and 2015.

PRC CIT

PRC CIT in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2016 and 2015, based on existing legislation, interpretations and practices in respect thereof.

PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds of sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

10. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Proposed final dividend – RMB40 cents (2015: scrip dividend (with a cash option) of RMB29 cents) per ordinary share	**1,221,521**	868,980
Proposed special dividend – RMB11 cents (2015: Nil) per ordinary share	**335,918**	–
	1,557,439	868,980

The proposed final dividend and special dividend for the year, to be made out of the share premium account of the Company, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting ("2016 AGM").

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 3,021,295,752 (2015: 2,968,151,188) in issue during the year.

For the year ended 31 December 2016, the calculation of the diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation of 3,021,295,752 (2015: 2,968,151,188) plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares of 244,437 (2015: 1,063,336).

The calculations of basic and diluted earnings per share amounts are based on:

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the Company	**3,464,714**	3,416,248

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**3,021,295,752**	2,968,151,188
Effect of dilution – share options	**244,437**	1,063,336
Weighted average number of ordinary shares used in diluted earnings per share calculation	**3,021,540,189**	2,969,214,524

12. PROPERTY, PLANT AND EQUIPMENT

For the year ended 31 December 2016, the Group had additions of property, plant and equipment at a total cost of approximately RMB342,755,000 (2015: approximately RMB265,824,000).

13. TRADE RECEIVABLES

Trade receivables mainly consist of receivables from the sale of properties, rentals under operating leases and provision of property management services. The payment terms of the sale of properties are stipulated in the relevant sale and purchase agreements, whilst the Group's trading terms with its customers in relation to the provision of rental, property management and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally "one to six months" for major customers. An aged analysis of the trade receivables as at the end of the reporting period is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**108,714**	239,374
4 to 6 months	**14,634**	9,801
7 to 12 months	**16,293**	9,919
Over 1 year	**17,134**	15,367
	156,775	274,461

14. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period is as follows:

	2016	2015
	RMB'000	*RMB'000*
Due within one year or on demand	**5,753,979**	2,391,399

The trade and bills payables are non-interest-bearing and are normally settled on terms of three to six months.

15. SUBSEQUENT EVENTS

(a) On 11 January 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$250,000,000 (equivalent to approximately RMB1,733,113,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 11 January 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 11 January and 11 July of each year, commencing on 11 July 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 29 December 2016, 30 December 2016 and 11 January 2017.

(b) On 26 February 2017, the Company redeemed the outstanding 8.625% senior notes due 2020 with an aggregate principle amount of US$300,000,000 in full at a redemption price to 104.3125% of the principal amount thereof, plus accrued and unpaid interest. For further details, please refer to the related announcements of the Company dated 27 January 2017 and 2 March 2017.

(c) On 15 March 2017, the Company issued 6.00% senior notes with an aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,772,980,000). The senior notes are redeemable at the option of the Company at certain predetermined prices in certain specific periods prior to the maturity date of 15 September 2022. The senior notes carry interest at a rate of 6.00% per annum, which is payable semi-annually in arrears on 15 March and 15 September of each year, commencing on 15 September 2017. For further details on the senior notes, please refer to the related announcements of the Company dated 9 March 2017, 10 March 2017 and 16 March 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Revenue of the Group comprises primarily the (i) gross proceeds, net of business tax and value-added tax, from the sale of properties, (ii) gross recurring revenue received and receivable from investment properties, (iii) gross revenue from hotel room rentals, food and beverage sales and other ancillary services when the services are rendered and (iv) property management fee income. The revenue is primarily generated from its four business segments: property development, property investment, hotel operation and property management.

The revenue amounted to approximately RMB8,865.3 million in 2016, representing an increase of 6.3% from approximately RMB8,339.8 million in 2015.

In 2016, the revenue generated from property development, property investment, hotel operation and property management were approximately RMB7,923.0 million, RMB182.4 million, RMB389.8 million and RMB370.1 million, respectively.

Property development

Revenue generated from property development increased by 4.8% to approximately RMB7,923.0 million in 2016 from approximately RMB7,563.2 million in 2015, primarily due to an increase in the total gross floor area ("GFA") delivered to 631,100 sq.m. in 2016 from 551,525 sq.m. in 2015. The effect of increase in total GFA delivered is partially offset by a decrease in recognised average selling price ("ASP") to RMB12,554 per sq.m. in 2016 from RMB13,713 per sq.m. in 2015.

Property investment

Revenue generated from property investment increased by 18.1% to approximately RMB182.4 million in 2016 from approximately RMB154.4 million in 2015.

Hotel operation

Revenue generated from hotel operation increased by 6.2% to approximately RMB389.8 million in 2016 from approximately RMB367.1 million in 2015. Such increase was mainly contributed by the Mulian Hangzhou which commenced soft launch in September 2015.

Property management

Revenue generated from property management increased by 45.1% to approximately RMB370.1 million in 2016 from approximately RMB255.1 million in 2015, primarily attributable to an increase in the number of properties under management. The increase in revenue was also attributable to an increased proportion of commercial properties under management with higher management fee per sq.m.

Cost of Sales

Cost of sales of the Group primarily represents the costs we incur directly for the Group's property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct cost of construction, cost of obtaining land use rights and capitalised borrowing costs on related borrowed funds during the period of construction.

Cost of sales increased by 8.7% to approximately RMB5,795.0 million in 2016 from approximately RMB5,330.3 million in 2015, mainly due to the increase in total GFA delivered in sales of properties.

Land cost per sq.m. increased from RMB3,096 in 2015 to RMB3,219 in 2016, due to the change in delivery portfolio with different city mix as compared with that in 2015.

Construction cost per sq.m. slightly decreased from RMB4,490 in 2015 to RMB4,334 in 2016.

Gross Profit

Gross profit of the Group slightly increased by 2.0% to approximately RMB3,070.3 million in 2016 from approximately RMB3,009.4 million in 2015. The Group reported a gross profit margin of 34.6% for 2016 as compared with 36.1% for 2015.

Other Income and Gains, Net

Other income and gains increased by 609.7% to approximately RMB731.7 million in 2016 from approximately RMB103.1 million in 2015, mainly comprising foreign exchange difference of approximately RMB304.6 million, interest income of approximately RMB169.7 million and management fee income related to our joint venture projects of approximately RMB72.4 million.

Selling and Marketing Expenses

Selling and marketing expenses of the Group increased by 16.7% to approximately RMB322.8 million in 2016 from approximately RMB276.5 million in 2015, mainly due to an increase in advertising for our projects, such as the Summit in Guangzhou, the More in Hangzhou, and International Metropolis Plaza in Shanghai.

Administrative Expenses

Administrative expenses of the Group increased by 25.1% to approximately RMB969.2 million in 2016 from approximately RMB774.7 million in 2015, primarily attributable to an increased staff cost. The commercial department of the Group has expanded in tandem with the development of the Group's commercial property sector. Two of the commercial properties of the Group, namely U fun in Shanghai and Tian Hui Plaza in the Pearl River New Town, Guangzhou, launched officially during the reporting period. In addition, the Group acquired 12 land parcels in different cities in 2016, in which Hefei was a newly entered city. The Group believes that people are key elements for future growth and grasping the opportunities ahead. The Group also provided extensive training, built incentive schemes as well as a teamwork-oriented corporate culture with high sense of belonging to retain experienced employees.

Other Operating Expenses, Net

Other operating expenses of the Group was approximately RMB118.2 million in 2016 (2015: approximately RMB30.7 million), mainly comprising premium paid on early redemption of senior notes.

Fair Value Gains on Investment Properties, Net

The Group reported fair value gains on investment properties of approximately RMB165.9 million for 2016 (2015: approximately RMB709.7 million), mainly related to various leaseable commercial properties in various regions. The fair value gains attributable to those leaseable commercial properties, including the Apex in Guangzhou, International Metropolis Plaza in Shanghai, and Global Metropolitan Plaza in Guangzhou, were approximately RMB129.0 million for 2016. Fair value gains in respect of properties owned by the Group's joint ventures are included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss. Such gains were mainly contributed by Tian Hui Plaza and International Commerce Place in Guangzhou.

Finance Costs

Finance costs of the Group being approximately RMB159.9 million in 2016 (2015: approximately RMB10.5 million), were related to the borrowing costs on certain general corporate loans and partial senior notes. Since such borrowings were not earmarked for project development, thus they have not been capitalised.

Income Tax Expenses

Income tax expenses decreased by 14.7% to approximately RMB1,065.9 million in 2016 from approximately RMB1,249.2 million in 2015, primarily due to a decrease in the provision for LAT in 2016.

Profit for the Year

The Group reported profit for the year of approximately RMB3,461.6 million for 2016 (2015: approximately RMB3,413.2 million). Net profit margin decreased to 39.0% for 2016 from 40.9% for 2015, as a result of the cumulative effect of the foregoing factors.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2016, the carrying amounts of the Group's cash and bank balances were approximately RMB26,901.6 million (31 December 2015: approximately RMB12,566.1 million).

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. As at 31 December 2016, the carrying amount of the restricted cash was approximately RMB1,130.7 million (31 December 2015: approximately RMB1,619.6 million).

Borrowings and Charges on the Group's Assets

As at 31 December 2016, the Group's bank and other loans, senior notes and domestic corporate bonds were approximately RMB11,190.6 million, RMB8,558.3 million and RMB23,201.1 million respectively. Amongst the bank and other loans, approximately RMB4,753.5 million will be repayable within 1 year, approximately RMB3,678.4 million will be repayable between 2 and 5 years and approximately RMB2,758.7 million will be repayable over 5 years. The Group's senior notes and domestic corporate bonds will be repayable between 2 and 5 years.

As at 31 December 2016, the Group's bank and other loans of approximately RMB11,190.6 million were secured by buildings, land use rights, investment properties, properties under development and completed properties held for sale of the Group with total carrying value of approximately RMB15,640.3 million, and equity interests of certain subsidiaries of the Group. The senior notes were jointly and severally guaranteed by certain subsidiaries of the Group and were secured by the pledges of their shares. The Group's domestic corporate bonds was guaranteed by the Company.

The carrying amounts of all the Group's bank and other loans were denominated in RMB except for certain loan balances with an aggregate amount of approximately HK$1,487.3 million as at 31 December 2016 which were denominated in Hong Kong dollar respectively. All of the Group's bank and other loans were charged at floating interest rates except for loan balances with an aggregate amount of RMB1,319.2 million which were charged at fixed interest rates as at 31 December 2016. The Group's senior notes were denominated in U.S. dollar and charged at fixed interest rates as at 31 December 2016. The Group's domestic corporate bonds were denominated in RMB and charged at fixed interest rates as at 31 December 2016.

Gearing Ratio

The gearing ratio is measured by the net borrowings (total borrowings net of cash and cash equivalents and restricted cash) over the total equity. As at 31 December 2016, the gearing ratio was 66.8% (31 December 2015: 69.0%).

Risk of Exchange Rate Fluctuation

The Group mainly operates in Mainland China, so most of its revenues and expenses are measured in RMB. In additions, except for the above mentioned, the Company's domestic corporate bonds were denominated in RMB. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of RMB into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the People's Bank of China.

During 2016, the exchange rates of RMB against the U.S. dollar and the Hong Kong dollar decreased and the Board expects that any fluctuation of RMB's exchange rate will not have material adverse effect on the operation of the Group.

Contingent Liabilities

(i) As at 31 December 2016, the Group had the following contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB7,330.0 million (31 December 2015: approximately RMB5,608.9 million). This represented the guarantees in respect of mortgage facilities granted by banks relating to the mortgage loans arranged for purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interests and penalties owed by the defaulting purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within one to two years after the purchasers take possession of the relevant properties.

    The fair value of the guarantees is not significant and the Board considers that in case of default in payments, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore no provision has been made in the financial statements as at 31 December 2016 and 2015 for the guarantees.

(ii) As at 31 December 2016 and 2015, the Group had provided guarantees in respect of certain bank loans for joint ventures.

Market Review

Mainland China's property market went through a roller-coaster ride in 2016, as buying enthusiasm dominated for some time in the earlier part of the year, before gradually normalize. The property market has been trending up since mid-2015 in the wake of policy relaxations yet more notably in the beginning of 2016. Pent-up demand started to be unleashed in a blowout, first in tier-one cities such as Beijing, Shanghai and Shenzhen and then shifted to higher tier-two cities such as Hefei, Nanjing, Hangzhou and Wuhan. Halfway through the year, the sustained exuberance further translated into rather out-of-control price escalation. Property transaction finally began to slow down after the Central Government reintroduced austerity measures in the fourth quarter to curb over-heated market conditions in tier-one and tier-two cities.

Record-breaking sales in property led to soaring land prices. Due to the shortage in land supply in tier-one cities, unfulfilled demand shifted to higher tier-two cities, where developers were jumping on the bandwagon to acquire land. According to the statistics of Centaline Property Research Centre, there were 9 cities in Mainland China, namely, Suzhou, Nanjing, Shanghai, Hangzhou, Tianjin, Hefei, Wuhan, Chongqing and Shenzhen, in which total land premium accumulated of over RMB100 billion in 2016. The amount was significantly higher than any historical records, and tier-two cities accounted for a predominant percentage.

Property developers enjoyed a favourable financing window with relaxed monetary policy, lower interest costs and broadened fund-raising channels. Many developers seized the opportunity to raise funds at low interest rates by issuing domestic bonds.

Business Review

The Group launched products to meet customers' needs in 2016 and completed its annual sales targets thanks to the strategic positioning in tier-one and tier-two cities over the years. In terms of pre-sales contributions, out of the 41 projects that were for sale, 51% of the pre-sales were contributed by Guangzhou, Beijing and Shanghai, while the remaining 49% were contributed by higher tier-two cities, notably Hangzhou, Chengdu and Nanning.

During the reporting period, the Group focused on launching new phases from existing projects after obtaining thorough market analysis. A variety of new products were launched in popular regions to replenish saleable resources in response to heightened buyers' interest. Products launched by the Group during the year were mainly units with GFA of 89–130 sq.m. designed for end-users and first-time upgraders. These were complemented by larger units with GFA of 150 sq.m. or above.

The Moon Mansion is a low-density residential complex in the Future Science City of Hangzhou with a greenery ratio of 30%, located in close proximity to stations of the Metro Line No. 5 currently under construction. During the reporting period, fitted units with GFA of 89–115 sq.m. bespoke to local requirements were launched. Thanks to its superior location and comprehensive supporting facilities, such as retail shops and schools, as well as the high level of brand recognition in the Future Science City, the selling price of the project has been on the steep rise since its launch in August 2016. Meanwhile, The Core of Centre in Wuxiang New City in Nanning has been receiving much enthusiasm by local buyers for its close distance to developing metro stop, unobstructed views of Wuxiang Lake and educational facilities that are already in operation. Units launched during the year comprised mainly fitted residential units with GFA of 89–123 sq.m.

After 22 years of incessant exploration and assessment, the Group is well aware that a stable financial system and strong cash flow are important to a company's development. During the reporting period, the Group closely monitored changes in financing policy and market window, as it successfully issued domestic corporate bonds at favorable interest rates in March and April, respectively, through its wholly-owned subsidiary Guangzhou Tianjian Real Estate Development Limited, to raise proceeds of RMB8,700 million (before related issuance expenses) in aggregate. In the latter half of the year, three tranches of non-public domestic corporate bonds with lower interest rates were also issued in July and September through the Company to raise a total of RMB11,300 million (before related issuance expenses). In January 2017, the Group issued a USD250 million (before related issuance expenses) senior note to replace USD senior notes issued in previous years with higher coupon rates. Such issuances have significantly lowered our financing costs and improved our debt profile, while gradually reducing the proportion of offshore bonds to lessen foreign exchange exposure.

Regarding land resources, supply in tier-one and higher tier-two cities has fallen short of demand in recent years, owing to an increasing population, fast inventory destocking coinciding with a continued decline in land supply. Consequently, property developers were eager to replenish their land bank for future developments. During the reporting period, gross and average land prices in tier-one cities and higher tier-two cities continued to rise, especially in regions around tier-one cities. To continue with its stance in tier-one and higher tier-two cities over time, the Group acquired 12 sites located variously in Guangzhou, Foshan, Shanghai, Hangzhou, Nanning, Chengdu and Hefei during the reporting period to facilitate expansion in scale and sustain future development. Hefei was the new city that we entered into in 2016. These sites were situated either at the heart of cities we already have operations in, such as the Shenhua Project and Qiaosi Project in Hangzhou, or in new city districts, such as the Beijiao Project in Foshan, Wuxiang New City Project IV in Nanning, or in touristic suburb areas famous for beautiful natural scenery, such as the Dayi Project in Chengdu. During the year, the Group acquired new sites with an attributable GFA of approximately 2,374,000 sq.m.

As at 31 December 2016, the Group owned 67 projects in 12 cities across Mainland China with an attributable land bank of approximately 11.3 million sq.m., sufficient to meet the Group's development need in the next 4-5 years.

To introduce a new business element and encourage long-term recurring income, the Group launched U Fun, the green shopping centre in Xinjiangwan, Shanghai and Tian Hui Plaza, a high-end shopping mall in the Pearl River New Town, Guangzhou during the year, in addition to office properties for lease in various cities, such as the International Commerce Place in Pazhou, Guangzhou and the Global Metropolitan Plaza in Guangzhou. The launch of commercial projects is set to contribute stable cash flow to the Group on an on-going basis. At the end of the year, the Group introduced its "future+" strategy, which proposed to deliver premium designs, proven product quality and after-sales services to customers, through the synergy of combined resources from residential, commercial and property management, aiming to further magnify the Group's influence in the industry.

Investment Properties and Hotels

1) *Hotels*

As at 31 December 2016, the Group had five hotels in operation, including hotels run by leading hotel management companies, such as Four Points by Sheraton Guangzhou, Dongpu, Sheraton Guangzhou Huadu Resort and W Hotel Guangzhou, as well as hotels owned and operated by the Group, such as The Mulian Hotels in Guangzhou and Hangzhou.

These hotels are located either at prime areas in city centres to cater business or leisure travelers, or in suburb areas with beautiful scenery. After years of improvements, these hotels have built solid reputation and enjoyed steady growth in revenue by maintaining and expanding customer bases through premium services and business-friendly environments.

2) *Completed Investment Properties Available for Lease*

The Group's investment properties comprise mainly International Finance Place (IFP) in Pearl River New Town, Guangzhou completed in 2007, and U Fun Shopping Centre in Xinjiangwan, Shanghai and Tian Hui Plaza in Pearl River New Town, Guangzhou completed in 2016.

Since its opening, IFP has been able to maintain a high occupancy rate consistently for long periods. Such success is mainly attributable to: 1) convenient location at the heart of Pearl River New Town; and 2) pleasant working environment and excellent property management services. IFP reported an occupancy rate of 98.8% as at 31 December 2016 as it continued to stay atop peers in the region in terms of occupancy rate. Major tenants included the private bank departments of Bank of China, Industrial and Commercial Bank of China, Standard Chartered Bank and ten other foreign banks.

U Fun in Shanghai, the Group's first shopping centre, was opened during the first half of the year. This was followed by the unveiling of Tian Hui Plaza in Pearl River New Town, Guangzhou in the second half of the year. The official opening of these two shopping centres has provided a benchmark for the Group's further expansion in the commercial property sector. In future, the Group expects to launch more shopping centres in cities such as Beijing, Chengdu and Suzhou.

Business Outlook

In 2017, the Central Government is expected to maintain its regulatory grip and put forward different measures across cities based on the principle of "housing properties for accommodation, not speculative trading" stated at the meeting of the Central Economic Work Conference, with a view to developing a long-term mechanism compatible with Mainland China's economic conditions and market developments.

The Group is scheduled to launch a great number of brand new projects in Guangzhou, Shanghai, Foshan, Nanning and Hangzhou in 2017. These will include Zhucun Project in Guangzhou, Songjiang Project in Shanghai, Beijiao Project in Foshan, Wuxiang New City Project IV in Nanning, Xiaoshan Project and Shenhua Project in Hangzhou. The new projects will comprise mainly residential for end-users and upgraders. In the meantime, the Group also looks to launch new phases of existing projects which have been quite established in their respective local markets, such as The Summit in Guangzhou, Oriental Bund in Foshan, Sky Ville in Chengdu, The Moon Mansion in Hangzhou and The Core of Centre in Nanning, to ensure timely replenishment of saleable resources. In 2017, the Group and Logan Property Holdings Company Limited ("Logan") jointly made a successful bid for a premium residential site at Lee Nam Road, Ap Lei Chau of Hong Kong for a total consideration of HK$16.855 billion. The Group and Logan have 50% ownership of the project, respectively. The site area is over 126,500 sq. ft., with a total gross floor area of more than 760,000 sq. ft. Leveraging on the Group's market recognition, years of experience as well as proven track record in high-end developments in property market, the collaboration is expected to take advantage of each other's respective strengths and to achieve a win-win cooperation. In addition, it will lay the foundation for the Group's long term strategic positioning in Hong Kong property market.

Overview of the Group's Property Development

As at 31 December 2016, the Group's major projects are located in Guangzhou, Suzhou, Chengdu, Beijing, Hainan, Shanghai, Tianjin, Nanning, Hangzhou, Nanjing, Foshan and Hefei.

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
1.	The Summit	Guangzhou	Residential / villa / serviced apartment / office / retail	1,668	100
2.	Global Metropolitan Plaza	Guangzhou	Office / retail	40	50
3.	Tian Hui Plaza (included The Riviera and Top Plaza)	Guangzhou	Serviced apartments / office / hotel / retail	69	33.3
4.	The Star	Guangzhou	Serviced apartment / office / retail	199	100
5.	Top of World	Guangzhou	Villa / serviced apartment / office / hotel / retail	490	100
6.	The Eden	Guangzhou	Residential / retail	9	50
7.	Zengcheng Gua Lv Lake	Guangzhou	Villa / hotel	43	100
8.	Essence of City	Guangzhou	Residential / villa / retail	317	100
9.	International Commerce Place (formerly called Guangzhou Pazhou Project)	Guangzhou	Office / retail	50	50
10.	CFC-Mayfair (formerly called Guangzhou Finance City Project)	Guangzhou	Serviced apartment / office / retail	102	33.3
11.	The Horizon	Guangzhou	Residential / retail	113	35
12.	Guangzhou Zhucun I & II	Guangzhou	Residential / villa / retail	267	50
13.	IFP	Guangzhou	Office / retail	61	100
14.	Four Points by Sheraton Guangzhou, Dongpu	Guangzhou	Hotel	35	100
15.	Sheraton Guangzhou Huadu Resort	Guangzhou	Hotel	25	100
16.	W Hotel / W Serviced Apartments	Guangzhou	Hotel / serviced apartment	80	100
17.	The Mulian Guangzhou	Guangzhou	Hotel	8	100
18.	The Sapphire	Suzhou	Residential / serviced apartment / hotel / retail / office	72	100
19.	Suzhou Apex	Suzhou	Residential / serviced apartment / hotel / retail	103	90
20.	Suzhou Emerald	Suzhou	Residential / retail	2	100
21.	Leader Plaza	Suzhou	Serviced apartment / office / retail	26	100
22.	Wan Hui Plaza	Suzhou	Office / retail	60	100
23.	Suzhou Jade Garden	Suzhou	Residential / retail	7	100
24.	The Vision of the World	Chengdu	Residential / serviced apartment / retail	49	100
25.	Chengdu Cosmos	Chengdu	Residential / serviced apartment / office / hotel / retail	425	100
26.	Chengdu Sky Ville	Chengdu	Residential / serviced apartment / office / hotel / retail	308	50
27.	Yoonshang (formerly called Chengdu Dayi Project)	Chengdu	Residential / villa / retail / hotel	618	55
28.	Fragrant Seasons	Beijing	Residential / villa / serviced apartment / retail	19	100
29.	La Villa	Beijing	Residential / retail	13	50
30.	Beijing Apex	Beijing	Residential / villa / serviced apartment / office / retail	65	50

No.	Project	District	Type of Product	Total GFA Attributable to the Group's Interest *('000 sq.m.)*	Interest Attributable to the Group *(%)*
31.	M • Cube	Beijing	Retail	16	100
32.	Summer Terrace	Beijing	Residential / villa / retail	20	100
33.	KWG Center I	Beijing	Serviced apartment / office / retail	128	100
34.	KWG Center II	Beijing	Serviced apartment / office / retail	125	100
35.	Rose and Ginkgo Mansion	Beijing	Residential / villa	16	33
36.	Pearl Coast	Hainan	Villa / residential / hotel	201	100
37.	Moon Bay Project	Hainan	Villa / residential / hotel / retail	421	100
38.	International Metropolis Plaza (formerly called Pudong Project)	Shanghai	Office / retail	78	100
39.	The Core of Center	Shanghai	Residential / serviced apartment / office / retail	44	50
40.	Shanghai Apex	Shanghai	Residential / serviced apartment / hotel / retail	38	100
41.	Shanghai Sapphire	Shanghai	Serviced apartment / hotel / retail	48	100
42.	Shanghai Emerald	Shanghai	Residential / retail	52	100
43.	Amazing Bay	Shanghai	Residential / serviced apartment / hotel / office / retail	62	50
44.	Vision of the World	Shanghai	Residential / serviced apartment / retail	138	100
45.	Shanghai Songjiang Project	Shanghai	Residential	122	100
46.	Jinnan New Town	Tianjin	Residential / villa / serviced apartments / retail	590	25
47.	Boulevard Terrace I	Tianjin	Residential / retail	47	100
48.	Boulevard Terrace II	Tianjin	Residential / villa / retail	32	100
49.	Tianjin Binhai Project	Tianjin	Residential / villa / retail	262	100
50.	The Core of Center	Nanning	Residential / villa / office / retail	433	87
51.	Guangxi International Finance Place	Nanning	Office / retail	62	87
52.	Guangxi Top of World	Nanning	Residential / villas / hotel / retail	388	87
53.	Wuxiang New City Project IV	Nanning	Residential / retail	316	100
54.	Hangzhou Jade Garden	Hangzhou	Residential	47	100
55.	Hangzhou La Bali	Hangzhou	Residential / villa	3	100
56.	The More	Hangzhou	Residential	5	100
57.	The Mulian Hangzhou	Hangzhou	Hotel / retail	18	100
58.	The Moon Mansion	Hangzhou	Residential	109	51
59.	Hangzhou Xiaoshan Project	Hangzhou	Residential / villa	56	100
60.	Hangzhou Shenhua Project	Hangzhou	Residential / villa	50	100
61.	Hangzhou Qiaosi Project	Hangzhou	Residential / retail	70	50
62.	Shine City	Nanjing	Residential / office / retail	49	50
63.	Oriental Bund	Foshan	Residential / villa / office / retail	1,296	50
64.	Foshan Shunde Project	Foshan	Residential / retail	305	100
65.	Foshan Fuxi Project	Foshan	Residential	89	33.3
66.	Hefei Luyang Project I	Hefei	Residential / retail	139	100
67.	Hefei Luyang Project II	Hefei	Residential / retail	81	100

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2016, the Group employed a total of approximately 6,100 employees. The total staff costs incurred was approximately RMB604.0 million during the financial year ended 31 December 2016. The remuneration of employees was determined based on their performance, skill, experience and prevailing industry practices. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment to be commensurate with the pay level in the industry. In addition to basic salary, the provident fund scheme (according to the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees), employees may be offered with discretionary bonus and cash awards based on individual performance.

As at 14 July 2016, total of 30,000 share options were exercised and as at 25 August 2016 a balance of 4,585,250 share options were lapsed. As at the date of approval of this results announcement, there was no outstanding share option under the Company's share option scheme was adopted pursuant to the shareholders' resolution passed on 11 June 2007. Details of share option movement for the year ended 31 December 2016 will be disclosed in the coming annual report.

DIVIDEND

The Board of the Company has proposed the payment of a final dividend of RMB40 cents per ordinary share for the year ended 31 December 2016. To appreciate the long-term support of the shareholders, the Board has also proposed the declaration and payment of a special dividend of RMB11 cents per ordinary share. The proposed final dividend and special dividend, if approved by the shareholders at the 2016 AGM, expected to be paid on or before 26 July 2017 to the shareholders whose names expected to be appeared on the register of members of the Company on 14 June 2017.

The proposed final dividend and special dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend and special dividend payable in Hong Kong dollars will be converted from RMB at the average closing rate of the five business days preceding the date of declaration of dividend as announced by the People's Bank of China.

Payment of the final dividend and the special dividend are subject to the approval of the proposed final dividend and the approval of the proposed special dividend at the 2016 AGM of the Company expected to be held on 2 June 2017.

A circular giving full details of the proposed final dividend and special dividend together with the relevant form of election expected to be sent to the shareholders on or around 27 June 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of determining the shareholders who are entitled to attend and vote at the 2016 AGM expected to be held on 2 June 2017, the register of members of the Company expected to be closed on Friday, 26 May 2017 to Friday, 2 June 2017, both days inclusive. In order to qualify for attending and voting at the 2016 AGM, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong expected not later than 4:30 p.m. on Thursday, 25 May 2017.

(b) For the purpose of determining the shareholders who qualify for the final dividend and special dividend, the register of members of the Company expected to be closed on Friday, 9 June 2017 to Wednesday, 14 June 2017, both days inclusive. In order to qualify for the final dividend and special dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong expected not later than 4:30 p.m. on Thursday, 8 June 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its code of conduct regarding directors' securities transactions. Specific enquiries have been made with all directors of the Company regarding any non-compliance with the Model Code and all directors of the Company confirmed that they have complied with the provisions of the Model Code for the financial year ended 31 December 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group believes that sound and good corporate governance practices are not only key elements in enhancing investor confidence and the Company's accountability and transparency but also important to the Company's long-term success. The Group, therefore, strives to attain and maintain effective corporate governance practices and procedures. The Company has complied with the code provisions in the Corporate Governance Code (the "Code Provision") as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2016.

Audit Committee

The Audit Committee was established with written terms of reference in accordance with the Code Provision as set out in Appendix 14 to the Listing Rules. The Audit Committee reports to the Board and is delegated by the Board to assess matters related to the financial statements and to perform the duties, including but not limited to, reviewing the Company's financial controls and internal control, financial and accounting policies and practices and the relationship with the external auditor.

As at 31 December 2016, the Audit Committee comprises three members who are Independent Non-executive Directors of the Company, namely Mr. Tam Chun Fai (Chairman), Mr. Lee Ka Sze Carmelo *JP* and Mr. Li Bin Hai.

The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2016.

Scope of Work of Ernst & Young on the Preliminary Announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, statement of comprehensive income, and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

Remuneration Committee

The Remuneration Committee was established with written terms of reference in accordance with the Code Provision as set out in Appendix 14 to the Listing Rules. The principal responsibilities of the remuneration committee include but not limited to formulate and make recommendations on remuneration policy and remuneration package of the directors and members of senior management to the Board. As at 31 December 2016, the Remuneration Committee comprises an Executive Director, namely Mr. Kong Jian Min, and two Independent Non-executive Directors, namely Mr. Tam Chun Fai (Chairman) and Mr. Li Bin Hai.

Nomination Committee

The Nomination Committee was established on 11 June 2007. The Nomination Committee is responsible for, including but not limited to, reviewing the structure, size and composition of the Board and making recommendations to the Board on selection of candidates for directorships. As at 31 December 2016, the Nomination Committee comprises an Executive Director, namely Mr. Kong Jian Min (Chairman), and two Independent Non-executive Directors, namely Mr. Tam Chun Fai and Mr. Li Bin Hai.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, the Board confirms that the Company has maintained a sufficient public float as required by the Listing Rules during the year under review.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

The results announcement of the Company for the year ended 31 December 2016 is published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at http://www.kwgproperty.com/en/ivr/index.aspx.

2016 AGM

The 2016 AGM of the Company expected to be held on Friday, 2 June 2017 and the notice of annual general meeting will be published and dispatched in the manner as required by the Listing Rules.

By Order of the Board
KWG Property Holding Limited
Kong Jian Min
Chairman

Hong Kong, 21 March 2017

As at the date of this announcement, the Board comprises eight Directors, of which are Mr. Kong Jian Min (Chairman), Mr. Kong Jian Tao, Mr. Kong Jian Nan, Mr. Li Jian Ming and Mr. Tsui Kam Tim are executive Directors; and Mr. Lee Ka Sze, Carmelo JP, Mr. Tam Chun Fai and Mr. Li Bin Hai are independent non-executive Directors.